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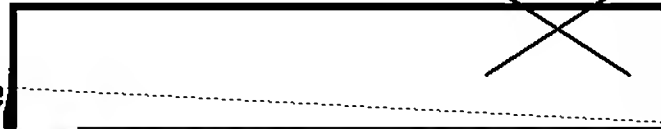

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# Alleged Reagan-Iran Hostage Gambit Probed

By Phil Linsalata

Of the Post-Dispatch Staff

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Investigators for the House Judiciary Committee have been quietly looking into allegations that Ronald Reagan's presidential campaign made a deal with Iran in 1980 to delay the release of American hostages until after the election.

One of the questions they are examining is whether George Bush, then Reagan's Republican running mate, played apart in any negotiation. Bush says he had no involvement. A team of five investigators has worked in secret for months. For the time being, they

## House Inquiry Began With Inslaw Battle

■ BUSH DISMISSES as lies allegations linking hostages to election. Page 17A

plan to continue that way.

The Judiciary Committee, chaired by Rep. Jack Brooks, D-Texas, has succeeded in keeping this investigation quiet so far because it emerged only as an offshoot of another case, one that attracts far less attention.

That is the case of Inslaw and its Promis computer software, found in two U.S. Bankruptcy court rulings to have been stolen from Inslaw by the Justice Department. The bitter

Inslaw battle began more than eight years ago as a \$10 million contract dispute.

Inslaw, based in Washington, is owned by St. Louis natives William and Nancy Hamilton. Its Promis software is used by law enforcement agencies to keep track of cases and criminals.

Tuesday — the day before the Justice Department would have been required to release potentially incriminating evidence to Inslaw — the U.S. Circuit Court of Appeals threw out five years of court victories in which a bankruptcy judge ruled that the Justice Department had "stolen" the software through "trickery, fraud

and deceit."

The appellate ruling found that the case did not belong in bankruptcy court. The Hamiltons said they would probably now appeal the case while launching a massive new suit in a different court.

This time, William Hamilton said, he will present new evidence, including witnesses whose testimony will tie the Inslaw case to the sale of American arms to Iran and to the hostage deal.

Some of these witnesses have already been interviewed by investigators for Rep. Brooks, who opened the software case to find what at first appeared to be a mess left behind by Edwin Meese and his Justice Department.

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# Deal

From page one

The evidence suggested that the Justice Department had taken the software from the Hamiltons and stopped payment on a contract in which Inslaw was to overhaul the department's massive computerized case-management system.

The Justice Department's motive seemed simple. The court record included evidence that a crony of Ronald Reagan and Meese, private businessman Earl W. Brian, stood to benefit if a company he controlled could pick up where Inslaw had been dumped.

Then, late in 1990, new allegations charged that the software had been delivered by Americans to the military and intelligence agencies of more than a dozen foreign nations.

## Arms To Iran Scheme

By late January, sources had told the Post-Dispatch and investigators for the Judiciary Committee that the software was part of an arms-to-Iran scheme. And they said that scheme began when representatives of the Reagan-Bush campaign agreed just before the 1980 election to ship arms to Iran through Israel in return for the guarantee that the hostages would not be set free until after the election.

This assured that the Reagan campaign, headed by veteran intelligence figure William Casey, would not be denied a victory by a last-minute hostage release, according to Gary Sick, who was then national security expert on Iran for then-President Jimmy Carter.

Casey, now dead, became director of central intelligence after Reagan took office.

As the Judiciary Committee investigation continued into this spring, some of the individuals who claimed to have been involved in the illicit trading of Promis software said they also were active in a flood of arms trading that began with the deal to delay the release of the hostages.

Only one scenario makes sense to Inslaw President William Hamilton, who has puzzled over this matter as much as anyone.

"Our software was traded as an asset to generate cash," Hamilton believes. "I believe that money may have been used either to reward people for past assistance in covert operations or to generate money to finance future covert operations, all outside the scope of congressional oversight."

The software would be valued for its use by oppressive regimes to track dissidents, Hamilton said. Or it could track counterintelligence cases and terrorists. It also could be used to monitor the flow of military traffic, including troops and arms.

And as a side benefit, the use of Promis by foreign countries would allow U.S. intelligence operatives to sort through the records of those nations — provided that CIA hackers could penetrate their computers.

## \$82 Billion To Iran

Ari Ben-Menashe, a former Israeli intelligence officer who was attached to the military intelligence branch of the Israeli Defense Forces, made sworn statements in the Inslaw case claiming that he saw the software sold to Israel and other countries.

In interviews with the Post-Dispatch, he describes the software as being no different than the arms that flowed from America to Iran.

"You've got to understand," Ben-Menashe said, "the Inslaw case is only a small part. The whole picture is much bigger."

How much bigger?

"Israel purchased and resold arms for \$82 billion to Iran from 1980 into 1987," said Ben-Menashe, who describes his former job as a globe-trotting arms buyer for Israel.

Last year, Ben-Menashe was acquitted in a federal trial in New York, where he had been charged with conspiring to sell Israeli-owned C-130 transport planes to Iran. He won the case in part by proving that he worked for the Israeli government, a claim that had been contested by the prosecution.

Ben-Menashe recalled the events of 1979 and 1980, just after radical clerics staged a successful revolution in Iran. Ben-Menashe said that old contacts he had among Iran's new leaders made him suddenly important to his bosses in Israeli intelligence. They asked Ben-Menashe to nurture his relationships in Iran, he said.

Israel's first shipment of arms to Iran was done without any American involvement, Ben-Menashe said.

"It was 1980, with winds of war between Iraq and Iran, and Iran wanted tires for their F-4 airplanes," he recalled.

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The first shipment was 300 tires delivered through Vienna, Austria, aboard a commercial airline. It was paid for in March and delivered in April, according to Ben-Menashe.

Saddam Hussein's Iraqi army invaded Iran in September 1980, and Ben-Menashe said he was approached for a second shipment of F-4 tires. He said he delivered 300 more in October.

"This time we used a French route," chartering a French aircraft and turning the tires over to the Iranians in that country, he said.

Those shipments generated enough money to pay the Israeli tire maker, transport costs and a kickback to the Iranian buyer. Still, Ben-Menashe said, there was money left over.

"It was the birth of the slush fund, the Extrabudgetary Fund of the Director of Military Intelligence," Ben-Menashe said, adding sarcastically: "Happy birthday."

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## From Madrid to Paris

Also born between the time of the first and second shipments was a relationship between Iran and representa-

tives of the Reagan campaign, according to Ben-Menashe and other sources.

Ben-Menashe said he was told of four meetings between representatives of Iran and the Reagan campaign in Madrid and Barcelona, Spain, between June and the end of September 1980. Present were Casey, Iranian leader Mehdi Karrubi and others, Ben-Menashe said. He claims to have been informed of the meetings during the summer of 1980 through two sources: his Iranian contacts and his superior, Rafi Eitan, the Israeli spy-master infamous for his role as controller of convicted agent Jonathan Pollard.

Additional confirmation for the meetings in Spain is provided by Iranian Jamshid Hashemi, who said that his brother, Cyrus, helped set up the meetings in Spain. Cyrus Hashemi, an arms trader, died in London in 1986, less than two weeks after being diagnosed as having a form of leukemia.

Jamshid Hashemi told reporters for the television program "Frontline" that Casey's proposal in Madrid was unmistakable.

"Casey" said the Iranians should hold the hostages until after the election ... and the new Reagan administration would feel favorably towards Iran, releasing military equipment and the frozen Iranian assets," Jamshid Hashemi told "Frontline."

The deal negotiated during the Spain meetings was to be sealed in Paris during meetings held between Oct. 17 and 20, 1980, according to sources who claim to have been present.

Ari Ben-Menashe said he had met with Iranians at the Ritz hotel in Paris as a junior intelligence officer whose duty was to "keep a telephone book" by getting the names and communication lines for the Iranians in attendance. Five other Israelis were in his delegation, he said. He also claims to have seen George Bush, then the GOP candidate for vice president, there.

Bush emphatically denies being in Paris and claims the accusations are "bald-faced lies."

## Richard Brenneke's Story

Richard Brenneke, a former jet pilot and CIA contract officer in Oregon with expertise in computerized bank transactions, says he was one of the Americans in Paris. Brenneke told the Post-Dispatch that he was called to Paris to advise on how payments could be handled.

This is the same version of events Brenneke gave to a federal judge in Denver in 1988, when he tried to convince the court to go lightly in sentencing a friend, Heinrich Rupp, in a bank fraud conviction. Brenneke told the court that Rupp, too, had been a pilot on the Paris mission and was being framed on the bank charges to silence him.

As a result, Brenneke was indicted on charges of lying to the judge in the Rupp case. He was acquitted last year in a trial at which he explained why he had been invited to Paris.

"My purpose for being in Paris ... was to go to a meeting in which the release of the hostages was to be discussed," Brenneke testified. "My function was very simple. I was asked if I would handle the financial transaction, the money movement, if necessary, if this should come to pass. I agreed to do so, and my role was basically one of an observer."

Brenneke said he had been told that Bush was present for the Paris meetings but sidesteps the issue of whether he actually saw Bush there.

Stansfield Turner, director of the Central Intelligence Agency under Carter, said that until recently he was a disbeliever of these accounts. He said his skepticism will be reflected in a forthcoming book. Now, however, he said he was changing his mind. He challenged Bush to silence the matter by producing documentary evidence.

"He could release Secret Service logs for his own whereabouts, and he could have the Republican Party produce similar records for William Casey for the dates in question," Turner said.

## The Floodgates Open

Regardless of what transpired in Paris during October 1980, that point in time marked the opening of a floodgate through which millions of dollars in arms would flow through Israel to Iran.

Reagan was elected in November, and 17 days later, Ben-Menashe said, he was appointed to a top-secret panel called the Joint Mossad-Israeli Defense Forces/Military Intelligence Committee for Israel-Iran Relations. The panel met in secret every week.

"My mandate was to organize a network of people to sell, on a commercial basis, to the Iranians, conventional arms to keep them fighting forever with the Iraqis," Ben-Menashe said.

"But *not* to sell weapons sophisticated enough for effective use should they be turned against Israel. The flow was not supposed to produce a victor, but a protracted fight" between Iraq and Iran, he said.

Ben-Menashe said he kept a low profile until Jan. 20, 1981, the day Reagan was inaugurated and the 52 American hostages were released.

Then, he said, he began working closely with American intelligence counterparts, including Robert Gates, now a deputy national security adviser to Bush.

A spokesman for Gates said Ben-Menashe's allegations were absolutely false.

Evidence of arms trading to Iran comes from other sources as well.

Gary Stephen Howard, a police officer from Texas with a resume that includes undercover work for federal authorities and contract work for the CIA, testified at Brenneke's trial that he had found evidence of large shipments to Iran.

Howard testified that he had received a sworn affidavit from an Israeli agent attesting to the shipment of

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## HOSTAGE DEAL



**BEN-MENASHE,**  
Former Israeli  
intelligence officer.

**says Israel  
monitored 1980  
talks between the  
Iran and Reagan  
campaign.**



**GARY SICK,**  
Former adviser on Iran  
for President Carter

**He says that a  
delayed release  
of hostages  
helped Reagan  
win.**



**NANCY and WILLIAM HAMILTON,** owners  
of Inslaw Inc. They are natives of St. Louis;  
the company is based in Washington.

**William Hamilton says he will tie the  
Inslaw case to sale of American arms to  
Iran and to the hostage deal.**



**ROBERT GATES,**  
Former intelligence  
officer, now adviser  
to Bush.

**Ben-Menashe casts  
him as a player in  
the arms-to-Iran  
scheme.**



**WILLIAM CASEY,**  
Former director of CIA,  
deceased.

**Sources claim he  
negotiated with Ira  
to hold hostages  
until after the 1980  
presidential election.**

weapons from 1980 through 1982, any of which were shipped through Israel into Iran with the blessing of the United States government."

Ben-Menashe said the Iran-Contra investigation had revealed only a small portion of massive arms sales through Israel by the United States.

He details meetings with Robert Gates in America to assemble "shopping lists" of weapons, ranging from armor to artillery shells to rock- and rifles.

On the first shopping trip, Ben-Menashe said, was relatively simple. He arranged the shipment of \$52 million Israeli-made 122 millimeter artillery shells to Iran, delivered in March. By the end of that year, however, Israel was unable to deliver Iran's orders without help from America, Ben-Menashe said.

From there, the efforts expanded to include a steady stream of weapons. Back up his claims, he offers a 1985 photocopy of a telex order between himself and one of his dummy companies for 20 American helicopters. The price: \$7 million each.

In this setting, Ben-Menashe de-

scribes the entrance of American businessman Earl W. Brian, the friend of Reagan and Meese whom Hamilton has implicated in the purported theft of his software.

Brian first tried to sell the software to Israel shortly after Inslaw signed its contract with the Justice Department in 1982, Ben-Menashe said. Brian succeeded in selling it to Israel in 1987, according to Ben-Menashe's affidavit.

Earl Brian has repeatedly denied any involvement in this matter.

In interviews, Ben-Menashe elaborates. He supports Hamilton's hypothesis that the software was traded by many of the same people who dealt arms, including Chilean arms manufacturer Carlos Cardoen. Ben-Menashe claims that the software provided a convenient way of "laundering" money from Israel and other nations back to the United States as payment for arms.

### Michael Reconsciuto

As Ben-Menashe made his intercontinental sales calls, Michael Recons-

ciuto claims he was busy preparing the software for market.

Like Ben-Menashe, Reconsciuto said he had witnessed portions of both the Inslaw matter and the arms-to-Iran affair.

Reconsciuto is a resident of Washington state whose resume includes the design of sophisticated weapons systems, computerized money laundering and expertise in computer software. He now is in federal custody awaiting trial on drug charges.

In an affidavit of his own, Reconsciuto claims to have worked at Brian's behest to modify the Promis software for distribution to foreign intelligence agencies in 1983.

In interviews with the Post-Dispatch, Reconsciuto said he wondered at the time why the software's creators, Bill and Nancy Hamilton, were not doing the modifications themselves. He said he was told the Hamiltons were being excluded because they constituted a security risk.

Was George Bush in Paris in October 1980? No one has been able to produce a dated, stamped passport.

No compelling evidence has come to light.

Bush has offered to open his personal schedule to prove that he did not take the trip, which would have pulled him away from his vice presidential campaign schedule for a minimum of 18 hours.

Was Inslaw's software pirated for sale in trade routes established to deliver arms to Iran in return for politically synchronized release of 52 American hostages? Again, the strongest case is only circumstantial.

But Richard Brenneke, celebrating the anniversary of his victory over prosecutors who accused him of lying about the Paris meetings, said he believes the burden of proof has shifted and the government should now have to prove its own innocence.

"One year ago, Brenneke bristled at the whole government machine could not prove in a federal court of law where George Bush was on Oct. 19 and 20, 1980. So I say, 'OK, Mr. Bush, let's go to it. What new evidence have you got?'"

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